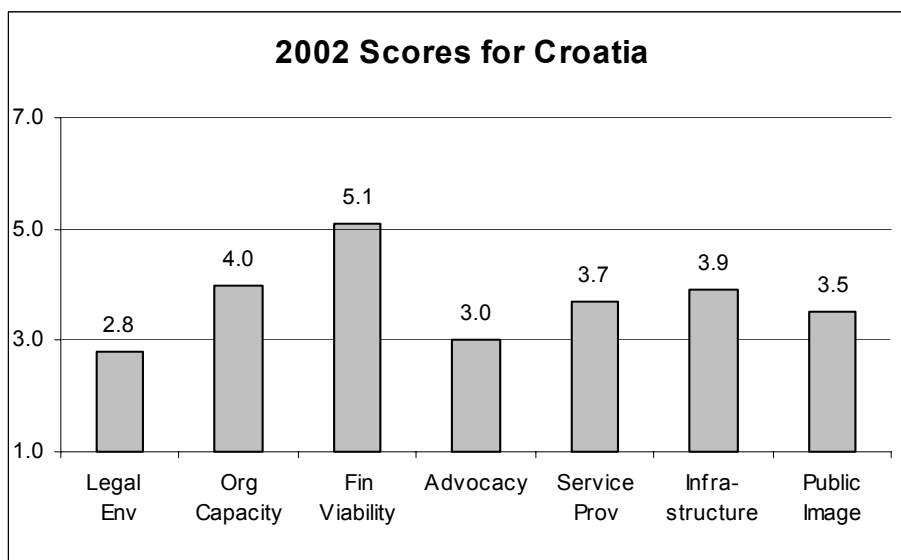


# CROATIA



**Capital:**  
Zagreb

**Polity:**  
Parliamentary  
democracy

**Population:**  
4,390,751

**GDP per capita  
(PPP):** \$8,300

## NGO SUSTAINABILITY: 3.7

There are now almost 22,000 NGOs registered in Croatia. While the number of registered groups continues to grow, the number of active NGOs remains stable at approximately 5,000, including a small group of indigenous foundations. Most of the active NGOs op-

### NGO SUSTAINABILITY

2002	3.7
2001	3.8
2000	4.3
1999	4.7
1998	4.4

erate in the capital and other urban centers. The strongest NGOs are still primarily in those fields traditionally supported by the donor community, including women's, social services, human rights, peace, and democracy groups.

Over the past year, the 2001 Law on Associations began to be implemented. As a result of this Law, a Registry of Croatian NGOs was created and made public on

the Internet. During 2002, the government also initiated a multi-year funding mechanism for NGO programs for the first time. NGO representatives are becoming more active and successful in providing policy advice and recommendations to the government and parliament on various topics, including human rights, gender, social services, youth and disabled issues. In spite of these developments, NGOs remain critical of the government's limited support of the sector and the slow pace reform.

Many NGOs still face numerous problems related to their financial and organizational sustainability. Public perception of NGOs is still weak, due both to limitations of the media and NGOs' limited capacity to communicate effectively with the media. Networking and cooperation among NGOs is still limited to a relatively small number of organizations.

## LEGAL ENVIRONMENT: 2.8

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The 2001 Law on Associations allows for easy registration and has simplified access to information about registered associations with the introduction of an on-line registry. In contrast to this, the 1995 Law on Foundations and Funds, which remains in effect, provides restrictive conditions for the registration of these organizations.

### LEGAL ENVIRONMENT

2002	2.8
2001	3.0
2000	4.0
1999	6.0
1998	6.0

While the Law on Associations is reasonably clear on the issues of internal management, scope of permissible activities and financial reporting, the provisions dealing with dissolution give rise to concerns, as they allow dissolution for even minor transgressions by an organization. Similarly, the Law on Foundations and Funds confers upon the government a great deal of unwarranted power regarding the appointment of the organization's management body. Despite these legal deficiencies, NGOs are able to take a stand on public issues and express criticism of the government without fear of retribution.

There have been some improvements over recent years regarding local legal capacity on NGO issues.

There is a group of lawyers that has been trained and is familiar with NGO law, although NGOs are not sufficiently aware of their services. Some regional NGO support centers also provide legal assistance

The tax regime for NGOs is rather favorable, providing NGOs with several tax exemptions. Grants and donations to NGOs are tax-exempt as long as they are used to finance an organization's non-profit activities. Membership dues that are not directly related to the purchase of goods and services are also tax exempt, provided that the organization's statute provides for such fees. Certain types of NGOs also receive some VAT exemptions. Corporate and individual donations to organizations pursuing cultural, scientific, educational, health, humanitarian, sport, religious and other activities are deductible up to 2% of the donor's income generated in the prior calendar year, although this limit can be increased with special ministerial approval.

The Law on Associations is unclear on the issue of economic activities, although the tax code does provide certain exemptions for income generated through such activities. Croatian NGOs are allowed to legally compete for government contracts and procurement at the central and local levels.

## ORGANIZATIONAL CAPACITY: 4.0

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The organizational capacity of Croatian NGOs varies significantly between small grassroots groups and larger, longer-established NGOs. In general, Croatian NGOs remain weak in the area of constituency building, although many of them are becoming increasingly aware of its importance, especially those working in smaller communities. Well-developed and

larger NGOs generally have clearly defined missions and strategic plans that guide their decision-making. Most leading NGOs have clearly defined management structures with roles and responsibilities divided between the staff and board members. However, it is not unusual for individuals to serve as both a staff member and a board member at the same time,

thereby creating a conflict of interest.

<b>ORGANIZATIONAL CAPACITY</b>	
2002	4.0
2001	4.0
2000	4.8
1999	4.0
1998	3.0

Additionally, NGO board members have a limited understanding of their role and lack knowledge and experience on how to effectively provide strategic guidance to NGOs.

Most Croatian NGOs in the capital and regional cities have basic computer and office equipment, including Internet access. Regional NGO support centers provide basic equipment and facilities to grass-roots groups without any office space or equipment. NGOs that operate in very small communities have little access to necessary equipment.

## **FINANCIAL VIABILITY: 5.1**

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Although Croatian NGOs continue to increase the amount of support they receive from local sources, these funds are still

<b>FINANCIAL VIABILITY</b>	
2002	5.1
2001	5.0
2000	6.6
1999	6.0
1998	5.0

minimal in comparison to foreign assistance. Local support is often provided as an in-kind contribution, for example, through the provision of office space at below market value. NGOs are still ineffective in raising significant local community support or attracting volunteers, although some are trying to encourage the development of local philanthropy.

NGOs are obliged by law to establish appropriate financial management and accounting systems. Despite such requirements, many of them still have numerous weaknesses in their financial management systems, particularly if their funding comes from local resources. NGOs funded by

foreign donors have established better financial management systems as a result of donor requirements.

A very limited number of NGOs have been successful in raising some income through the provision of services. Although the legal framework enables the government to contract with NGOs, that practice is still rare. The Ministry of Labor and Social Welfare and the cities of Split and Zagreb are among the few government bodies that have taken advantage of this legal possibility.

The Government of Croatia provides grant support to NGO projects in the areas of social services, education, civil society development, community building, health, environment and culture. The total funding for all programs in the last year was approximately \$1 million. For the first time, support was made available in 2002 for initiatives longer than a year.

## ADVOCACY: 3.0

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Communication between NGOs and policy makers continues to improve, albeit

ADVOCACY	
2002	3.0
2001	3.0
2000	2.5
1999	4.0
1998	4.0

slowly. More and more often, NGOs are asked to provide advice and expert opinions on various issues. During 2002, NGOs had significant input on youth policy, social services,

disabled, human rights, and gender issues. Government officials and parliamentarians are becoming more open towards NGOs and are willing to consider their policy recommendations, although this is still not common.

NGOs also continue to improve their lobbying and advocacy skills. Some ex-

amples of NGO advocacy campaigns organized during the last year were focused on increasing public awareness about human rights issues of the gay population, violence against women, health, children's rights, and environmental issues.

Thanks to the efforts and leadership of the Government Office for Cooperation with NGOs, several NGO representatives have joined together to influence legal changes important for the sector, such as new legislation on voluntarism, public benefit organizations, the lottery, and foundations. Unfortunately these initiatives would not have taken place without the leadership of the Government Office for Cooperation with NGOs.

## SERVICE PROVISION: 3.7

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NGOs are becoming increasingly specialized in the provision of various services, including training and technical assistance

SERVICE PROVISION	
2002	3.7
2001	4.0
2000	4.4
1999	5.0

to other NGOs; legal assistance to women, minority groups and other victims of the war; assistance to women and children victims of domestic violence; and advice

to entrepreneurs and others interested in starting a small business. These services are generally responsive to the needs of communities and NGO constituencies.

Most NGO products are still not sufficiently available to the broader public, although there is significant interest in publications developed by NGOs on topics such as community building, NGO management, facilitation skills, and disabilities. NGOs need to improve their marketing of such products. Only a very limited number of NGOs, primarily training organizations, have succeeded in recovering costs through the provision of services. Local and national governments are slowly becoming more open to and aware of NGOs' expertise in providing services, especially social services.

## INFRASTRUCTURE: 3.9

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The basic Croatian NGO infrastructure continues to consist of three training organizations and three regional NGO support centers. The

### INFRASTRUCTURE

2002	3.9
2001	4.0
2000	4.0
1999	4.0

training organizations provide good NGO management training, but will need additional support to provide advanced

training. Training organizations have had some limited success in raising revenue through the provision of their services. Croatian NGO support centers provide technical assistance, legal services, accounting support, and NGO incubator facilities, and promote voluntarism, networking and cooperation with local government and the business community. All of these services are currently provided free-of-charge.

Croatia still does not have any indigenous grant making organizations. However, over the past year, three NGOs have been competitively selected and trained to manage a USAID-funded small grants program in different regions of the country. During the past year some efforts have also been made to transform the Government Office for Cooperation with NGOs into a private Foundation for Civil Society Development. This new Foundation is expected to start operations sometime in 2003.

Although some improvements are evident in the area of NGO/government cooperation, partnership and work on joint programs is still uncommon in the Croatian environment. Likewise, while a few large Croatian companies support NGO activities, partnership on joint projects between the business community and NGOs is also rare.

## PUBLIC IMAGE: 3.5

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The public image of NGOs is gradually getting better, although there is still room for improvement. NGO stories are beginning to appear more often in the media. However, the media is generally more interested in covering specific issues related

### PUBLIC IMAGE

2002	3.5
2001	3.8
2000	4.0
1999	4.0
1998	4.0

to children, women, the environment or the disabled, rather than general NGO issues related to NGOs' role in society. Many NGOs – especially smaller ones – still feel uncomfortable

communicating with the media, especially electronic media. According to recent

NGO surveys, the public has a positive perception of NGOs and considers them capable of resolving some social problems. NGOs with active media relations, such as GONG, B.a.B.e., and HHO, enjoy a better reputation with the government, business sector and public as a whole than other organizations.

Very few NGOs attempt to make their operations transparent to the public. Few publish annual reports and distribute them to the public. However, well-developed NGOs do use their web sites as a tool to inform the public about their regular activities.